

Shifting Patterns in Retail Trade

THE increase in consumption expenditures for goods accounted for most of the expansion in economic activity in the first quarter of 1964. With this rise in goods demand, retail stores experienced a seasonally adjusted sales increase of 2½ percent from the fourth quarter of 1963 to a new peak in the first quarter of 1964. This is the largest quarterly gain so far in the 1961-64 expansion, during which retail sales have risen almost one-fifth above the recession low 3 years earlier. Advance data indicate that April sales are being maintained at the first-quarter rate, although they are slightly below the February peak.

Retail sales have been supported by a continually rising volume of disposable personal income—and this rise has

been accelerated in recent months by the reduction in Federal taxes. Sales and income changes have not always moved in parallel fashion. Last year, for example, sales rose relatively less than income; earlier in the recovery period, and in the first quarter of 1964, the reverse was true.

These differential movements are shown in the first chart, which also illustrates the comparatively small rise in retail prices in recent years. Since early 1960, consumer goods prices have risen 3½ percent, or less than 1 percent per year. Over the past 12 months these prices increased almost 1½ percent. After allowance for price change, the physical volume of goods passing through retail channels in the opening quarter of 1964 was 3 percent above the corresponding period of 1963.

Recent sales changes

Seasonally adjusted increases from the final quarter of last year to the first quarter of 1964 were widespread among the major lines of retail trade, and rather evenly distributed between durable and nondurable goods stores. One of the best performances was by the general merchandise group—particularly department stores and variety stores—with a gain of 6 percent from the fourth quarter of 1963. This large first-quarter increase followed a decline in sales during the fourth quarter which was probably attributable to a dip in apparel sales. Sales of apparel stores, it may be noted, rose considerably in the first quarter after a fourth-quarter decrease. Sales of furniture and appliance stores have been expanding sharply since early 1963, in part because of the high rate of homebuilding.

Automotive dealers are now in their fourth year of rising sales, a rather

unique experience. All major sectors of their business are doing well. Unit sales of domestically produced and imported cars have maintained an 8 million or better seasonally adjusted annual rate in all but one of the months from October 1963 to April 1964. In April and in February of this year the rate approached 8½ million cars.

Marketing of new trucks has recently shown an even larger relative gain than new cars; truck sales in the first 4 months of 1964 were up one-sixth over the same period of 1963 as compared to 7 percent for new cars. Partial information also shows that sales of used cars and trucks are above last year.

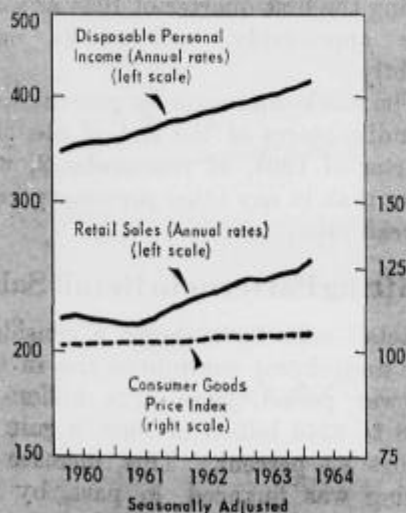
Fourth- to first-quarter sales gains at foodstores and eating and drinking

RETAIL SALES, INCOME, AND PRICES

- Retail Sales Outpaced Income Rise in 1961-62, and So Far in 1964

- Consumer Goods Prices Continue Slow Rise

Billion \$ (Ratio Scale) 1957-59 100



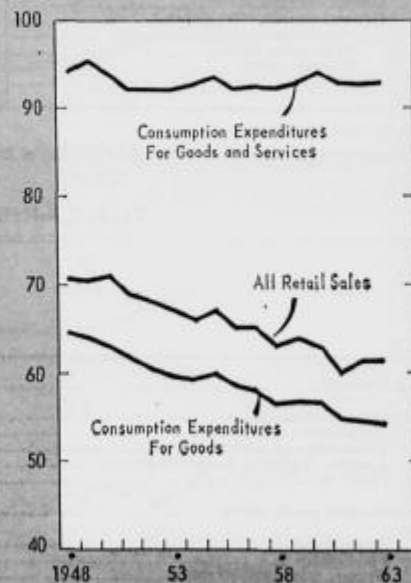
Data: OBE, Census, & BLS

U.S. Department of Commerce, Office of Business Economics 64-5-4

CONSUMER BUYING AND INCOME

Retail Sales Have Declined Relative to Disposable Income as Consumer Spending Has Shifted From Goods to Services

Percent of Disposable Income



Data: OBE, Census

U.S. Department of Commerce, Office of Business Economics 64-5-5

places were relatively close to the increase in total retail sales.

Gasoline service stations and lumber-building material and hardware stores have not shared in the current general rise. Although their sales are above the previous year's level, little of the gain has come in recent months.

The tax cut and early 1964 sales

Retail buying has not changed much since the reduction in personal income tax withholdings became effective in March. Sales in March and April were 1 percent below February, but higher than in any previous month.

In interpreting this result, it should be noted that it may be too early for

any measurable effect to have occurred, since consumer spending habits are somewhat sluggish, and some time may be needed for the tax-cut effects to be reflected in increased spending. Thus, if the expected impact in the first month or two is relatively small, it may not be discernible due to irregularities in short-term movements of retail sales. Also, sales in February were quite high and may have included some anticipatory buying in view of the certainty of passage of the tax-cut legislation at that time.

Retail inventories rise with sales

Retailers continue to follow conservative inventory policies. For the past

2½ years they have held the book value of their inventories just under 1.4 times monthly sales. This is lower than in other postwar periods of peak sales, when stock-sales ratios are typically lowest, (see table 2).

In the opening quarter of this year, most major trades added to stocks as sales expanded. About three-fourths of the seasonally adjusted rise of over \$300 million in this quarter occurred at automotive stores, where both stocks and sales are at record levels.

Franchised automobile dealers at the end of April held a record 1.1 million new passenger cars (seasonally adjusted). With sales at an 8 million annual rate, this stock was equal to about 50 days of sales, or well above most earlier periods of high auto demand. The forthcoming wage negotiations in the auto industry this summer may be a factor here.

Stock-sales ratios in furniture and appliance stores, after rising through the mid-1950's, have declined in recent years. Ratios have continued to fall in 1963 and early 1964 as sales of furniture and appliance stores picked up impressively. Stock-sales ratios of lumber-building material-hardware stores have shown fairly similar movements; they have picked up a bit in 1964, however.

Stocks at apparel stores have been showing a rising trend relative to sales from one postwar peak to another, and stock-sales ratios of foodstores have been tending upward. In apparel, some reduction in this ratio took place during the first quarter of 1964 as sales rose appreciably, and stocks only slightly.

The stock-sales ratio for general merchandise stores at the end of the first quarter of 1964, at just under 2, was lower than in any other previous period of peak sales.

Shifting Patterns in Retail Sales

Retail sales have shown a considerable and almost continuous rise in the postwar period, from \$134 billion in 1948 to \$246 billion in 1963, a gain of almost 83 percent. This increase in buying was financed, in part, by an even greater rise in disposable personal income, which went up 113 percent,

Table 1.—Percent Changes in Retail Sales, 1960-64

	1960-61	1961-62	1962-63	1963- fourth quarter -1962- first quarter	1963			1964- fourth quarter -1964- first quarter
					First quarter -second quarter	Second quarter -third quarter	Third quarter -fourth quarter	
All retail stores.....	-0.2	7.6	4.7	1.5	-0.3	1.4	0.8	2.6
Durable goods stores.....	-4.9	11.4	6.9	1.8	-0.3	.8	2.8	2.6
Automotive group.....	-0.0	10.0	7.4	3.0	-0.3	-0.2	2.8	3.2
Passenger car other auto dealers.....	-0.0	10.0	7.0	3.4	-0.4	-0.1	2.8	3.3
Tire battery necessary dealers.....	-2.3	8.0	3.0	-2.9	1.0	-1.3	0.4	1.3
Furniture and appliance group.....	-2.0	4.2	7.4	2.6	-0.5	3.0	4.6	8.8
Furniture, home furnishings.....	-3.0	0.0	0.7	3.1	-0.2	2.5	2.8	0.3
Household appliance T.V. radio.....	-0.3	(*)	8.0	1.3	-1.7	3.0	5.9	-1.7
Lumber building hardware group.....	-3.2	3.8	1.8	-1.1	1.1	2.3	.2	-1.0
Lumber building materials dealers.....	-2.5	4.0	2.1	-0.6	2.9	2.4	-1.0	-0.6
Hardware stores.....	-6.2	3.0	.7	-2.6	-1.7	1.9	7.0	-8.2
Nondurable goods stores.....	1.0	5.9	3.7	.9	-0.3	1.7	-0.2	2.3
Apparel group.....	.2	4.4	.0	(*)	-3.8	5.0	-2.6	5.8
Men's and boys' wear.....	1.5	3.0	1.7	.1	-3.2	7.1	-5.1	4.8
Women's apparel accessories.....	-1.1	2.9	2.1	-0.8	-1.0	4.3	-1.7	8.4
Family and other apparel.....	-1.3	3.8	-0.5	.6	-5.0	7.6	-4.0	6.0
Shoe stores.....	3.2	0.7	-0.5	.6	-0.3	.7	2.3	0.6
Drug and proprietary stores.....	2.8	3.8	1.8	.6	-1.1	.3	.3	.4
Eating and drinking places.....	1.9	6.6	4.4	1.9	-1.0	1.7	1.7	2.1
Food group.....	2.9	4.0	2.7	.2	(*)	1.7	-1.1	1.8
Gasoline service stations.....	2.1	2.0	2.8	2.5	-2.8	1.3	-2.1	.3
General merchandise group.....	3.7	3.2	3.4	1.1	-0.2	3.5	-2.0	6.3
Department stores.....	4.4	0.0	3.3	2.2	-0.3	3.8	-2.0	8.3
Mail order houses.....	3.8	1.8	3.6	1.0	1.0	3.2	-2.7	4.8
Variety stores.....	4.0	2.3	2.8	.7	1.7	1.0	.0	4.9
Liquor stores.....	.8	12.1	5.8	-1.0	3.2	.8	.8	1.6

*Less than .05 percent.

Source: U.S. Department of Commerce, Office of Business Economics and Bureau of the Census.

Table 2.—Retail Stock-Sales Ratios

	Periods of cyclical peaks in retail sales					
	1948 3d Qtr.	1953 1st Qtr.	1957 3d Qtr.	1960 2d Qtr.	1963 4th Qtr.	1964 1st Qtr.
All retail stores.....	1.40	1.48	1.44	1.45	1.39	1.30
Durable goods stores.....	1.72	1.86	1.00	2.00	1.75	1.70
Automotive group.....	.03	1.08	1.28	1.80	1.34	1.30
Furniture and appliance group.....	2.37	2.48	2.48	2.32	1.87	1.85
Lumber, building, hardware group.....	2.35	2.80	2.80	2.85	2.37	2.45
Other durables.....	2.01	3.14	3.49	3.24	2.06	2.08
Nondurable goods stores.....	1.24	1.29	1.18	1.79	1.28	1.18
Apparel group.....	2.01	2.73	2.88	2.80	3.06	2.03
Food group.....	.70	.83	.70	.09	.72	.73
General merchandise group.....	1.98	2.39	2.15	2.17	2.12	1.95
Other nondurables.....	.63	.92	.82	.83	.83	.82

Source: U.S. Department of Commerce, Office of Business Economics and Bureau of the Census.

and by a large extension of consumer credit.

The differential rate of growth in retail sales and disposable income since 1948 to a large extent reflects the sharp change in the distribution of the consumer dollar. As can be seen in the chart, consumer spending for goods and services combined has kept pace with disposable income over the postwar period. Spending for services, however, has risen relatively faster as services recovered from their abnormally low position in the immediate postwar years, when a continuation of such wartime restrictions as rent controls prevailed.

Part of this shift in consumer spending is attributable to the rapid increase in service prices, as restrictions were removed. Between 1948 and 1963 the Consumer Price Index for services rose 60 percent, a compounded annual growth rate of 3 percent, as compared to a 16 percent, or less than 1 percent per annum, rise in the average price of goods.

This change in spending habits has had its impact on sales at retail stores, which primarily distribute goods—although services are quite important in certain lines such as filling stations and motor vehicle dealers. In the 1948–50 period retail sales were equiv-

alent to more than 70 percent of disposable personal income; in the 1961–63 period, however, sales had slipped to 61 percent of such income.

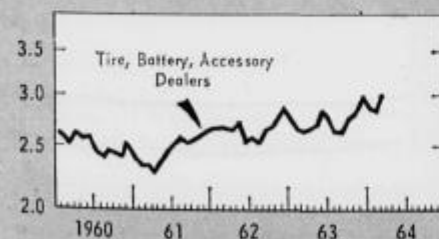
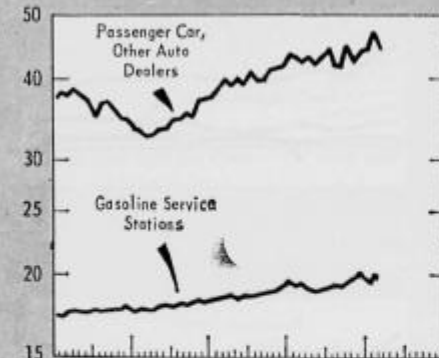
Not only has the relationship between total sales and income changed, there has also been a shift in the pattern of retail spending. While aggregate sales have risen 50 percent, some lines of trade have experienced greater gains than others. By translating the sales of the various kinds of stores into cents-per-retail sales dollar, their differing rates of growth stand out more clearly.

The relative distribution of retail sales by lines of trade over the postwar period is shown in the chart. In

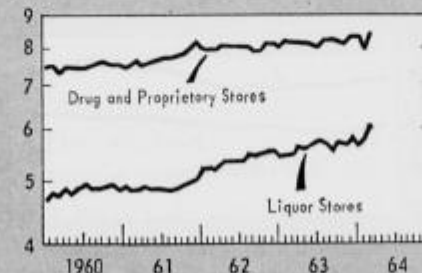
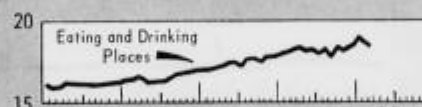
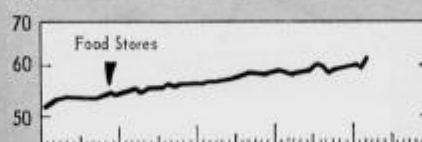
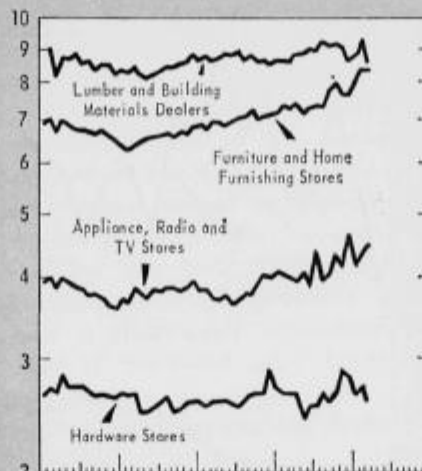
SALES OF RETAIL STORES SINCE 1960

Sales of Autos, Furniture, Appliances, and General Merchandise Have Been Particularly Impressive In Recent Months

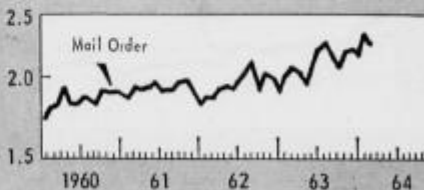
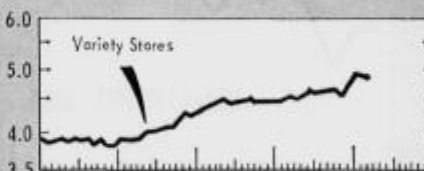
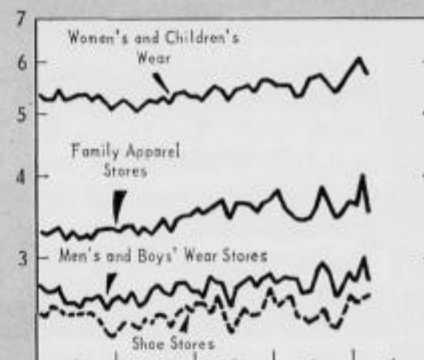
Billion \$ (Ratio Scale)



Billion \$ (Ratio Scale)



Billion \$ (Ratio Scale)



Seasonally Adjusted at Annual Rates

examining the chart, certain reservations should be kept in mind. First, the data refer to kinds of retail stores rather than types of commodities. Secondly, the base is total retail stores rather than total consumer spending—so that the larger relative growth in services than in goods is not represented.

Thirdly, some events in the postwar period have resulted in serious imbalances in the supply-demand situation in some trades. The two most obvious distortions arise from the shortage of certain goods in the reconversion period following World War II, and the restrictions on output during the Korean

period. As a result, the relative share of sales by nondurable goods stores was abnormally high in 1946, dropped rapidly in the late 1940's as durable goods output moved into high gear, and then moved up again during the Korean period as the supply of durables was again curtailed.

Soft goods generally show faster growth

Most nondurable goods lines of trade have been absorbing increasing proportions of the retail dollar since 1953. In the case of foodstores, department stores, and drugstores, there is a sug-

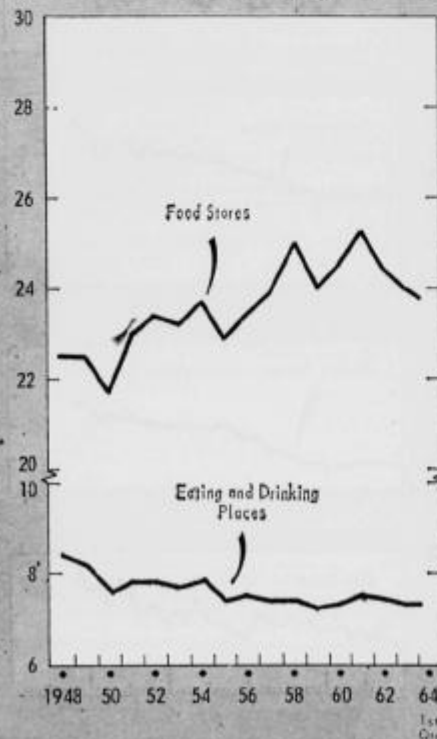
gestion that part of their better-than-average showing since the mid-1950's is due to the aggressive merchandising of large multiunit organizations. These organizations have been quick to expand in the more rapidly growing suburban areas. Most newly developed shopping centers have been oriented around a large grocery store, drugstore, and one or more department stores.

Furthermore, it appears that the most rapid expansion rates in the past decade have been shown by lines of trade that handle a wide range of merchandise lines. Multiunit organi-

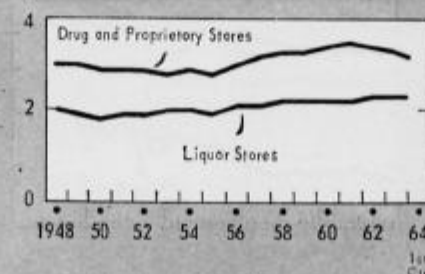
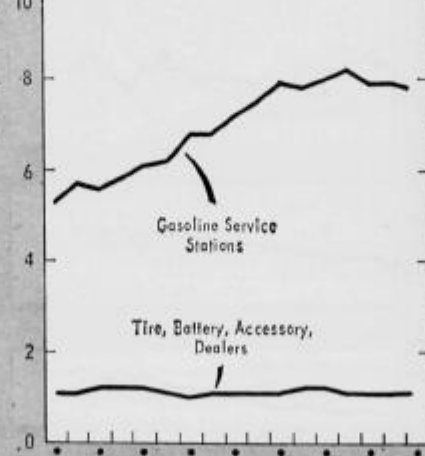
POSTWAR SHIFTS IN RETAIL BUYING PATTERNS

- Since 1953—Food, Drug and Department Stores, and Gasoline Stations Account For Increasing Share of Retail Sales Dollar
- Most Durables and Eating and Drinking Places Show Downward Drift

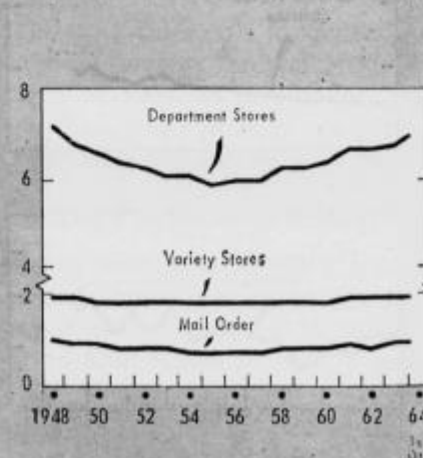
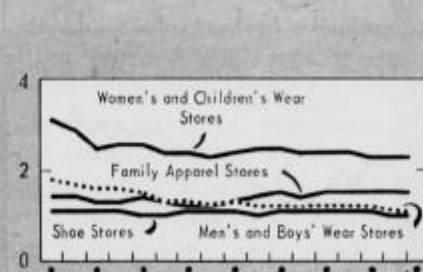
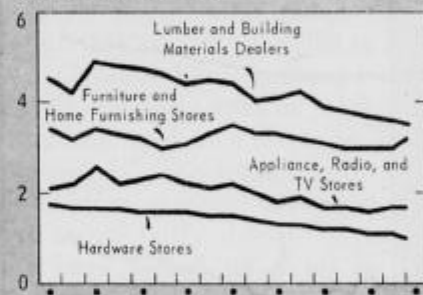
Cents Per Retail Dollar



Cents Per Retail Dollar



Cents Per Retail Dollar



zations have been leaders in this form of merchandising, and the proliferation of product lines in grocery and drug stores has been phenomenal. Even department stores have added to their goods and services departments. Another notable example is the rapid expansion in the number of full-line discount-department stores.

There are other factors in the upward movement in foodstore sales from about 23 cents in the mid-1950's to 24 cents or more in the 1960's. There has been a continuous trading-up in food purchases both in terms of the more expensive types, and in the expanded buying of better-prepared, better-trimmed, precooked, and frozen food products. Another factor is that food prices in recent years have risen slightly relative to overall goods prices.

Over the shorter term, since consumers tend to maintain their food purchases during recessions, while sharply curtailing their expenditures for autos and appliances, the share of the retail dollar taken by foodstores rises sharply in a business downturn; conversely, the share declines in recoveries.

Drugstores owe part of their increased share of retail sales in the past decade to the tremendous growth in the use of antibiotics and other highly effective new drugs, which are typically higher priced than the drugs formerly in use. Since 1961, there has been some slip-

page in the share of the retail dollar taken by drugstores.

Eating and drinking places, although increasing their total sales, have accounted for a smaller part of the sales dollar in the past few years than in the immediate post-Korean period. Slightly more of the consumers' dollar is currently being spent in liquor stores than in 1953.

Women's and children's wear, and shoestores have been relatively stable in their share of the retail sales dollar throughout this period. Men's and boys' wear have shown a light downward drift over the past decade, while family apparel stores have slowly increased their share of the total.

The part of the sales dollar spent in gasoline service stations has risen from 6 cents in 1953 to 8 cents currently. Most of the receipts of these stations come from the sales of motor fuel and oil and the repair and general maintenance of motor vehicles, and their stable growth reflects the continuous postwar growth in the number of vehicles in operation. Sales of tire, battery, and accessory dealers, holding steady over the postwar period at slightly over 1 percent of retail sales, have also benefited by this factor; this is the only durable goods group which did not show a downward movement in its share of the retail sales dollar in the past decade.

Sales of passenger car dealers have

shown wide cyclical swings. In the recession troughs of 1954, 1958, and 1961, their share of the retail dollar fell sharply, rising again in each of the following upswings. Even though motor vehicle dealer's sales were at record rates in early 1964, the portion of the sales dollar spent at these stores has failed to match the 1953-57 rate.

Sales of lumber-building material dealers and appliance stores are also appreciably affected by changes in the business cycle, but to a lesser extent than are automotive sales. Sales of furniture-homefurnishings and hardware stores do not react measurably to cyclical movements. The lesser cyclical response shown by these trades and by appliance stores and by lumber-building material dealers possibly reflects their relationship to movements in housing activity, which in the postwar period has frequently moved in a counter-cyclical fashion.

The shares of the retail dollar taken by furniture-homefurnishings and appliance stores, after losing about one-half a cent each from their mid-1950 highs, have recently stabilized as these stores have registered larger-than-average sales gains in 1963 and early 1964.

Sales of lumber-building material dealers and hardware stores, on the other hand, have not been particularly strong in the recent period, and the decline in their share of the sales dollar has continued.

Manufacturing and Trade—Revised Estimates of Sales and Inventories

PRESENTED below are revised estimates of wholesalers' sales, inventories, and stock-sales ratios. Data for total manufacturing and trade have been adjusted to include the new wholesale trade figures; data for manufacturers and retailers have not been revised.

The wholesale trade estimates incorporate revised seasonal and trading day factors developed by the Bureau of the Census for the period starting in January 1960. In addition, the data have been expanded to cover all merchant wholesalers; the former series had

excluded wholesalers of farm products, raw materials. The inclusion of the latter group affects the data for wholesale trade and for the total of manufacturing and trade back to 1948 when the series begins. The estimates prior to 1957 are available on request.